



BOURGOIS BOND

COMMUNICATIONS WITH BOARD OF COMMISSIONERS

To the Board of Commissioners,
Waterworks District No. 1 of the
Parish of Terrebonne, State of Louisiana,
Houma, Louisiana.

In fulfilling our responsibility as Consolidated Waterworks District No. 1 auditors for the year ended June 30, 1997, we are required to communicate to the Board of Commissioners certain matters related to the conduct of our audit.

1) AUDITOR'S RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

Our audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements.

As required, separate letters have been issued on the internal control structure and compliance with laws and regulations.

2) SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted, nor required to be adopted for the year ended June 30, 1997.

3) MANAGEMENT JUDGEMENTS AND ACCOUNTING ESTIMATES

The most significant estimates reflected in the general purpose financial statements relate to unbillable water revenue, and claims and judgments incurred. Management has provided us with representations concerning these matters.

mistake or misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Bouguier Bennett, LLC.

Certified Public Accountants

Houma, La.,
August 15, 1997.



Bourgeois Bennett

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners,
Consolidated Waterworks District No. 1 of the
Parish of Terrebonne, State of Louisiana,
Houma, Louisiana.

We have audited the general purpose financial statements of the Consolidated Waterworks District No. 1 (the District), a component unit of the Parish of Terrebonne, State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated August 15, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

WATER CUSTOMERS

**Consolidated Waterworks District No. 1
of the Parish of Terrebonne,
State of Louisiana**

June 30, 1997

(Unaudited)

Records maintained by the District indicated 35,761 water customers at June 30, 1997.

There were no unmetered customers.

SCHEDULE OF INSURANCE IN FORCE

Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana

June 30, 1997

(Unaudited)

Insurer	Type of Coverage	Amount of Insurance	Expiration Date
Terrebonne Parish Consolidated Government	Automobile liability	\$ 6,250,000	Not applicable
Terrebonne Parish Consolidated Government	General liability	\$ 6,900,000	Not applicable
Terrebonne Parish Consolidated Government	Workers' compensation	Statutory	Not applicable
Berco Old Colony	Combined building & personal property	\$ 47,260,996	5-31-98
TRG Insurance Co.	Fall coverage on bridge design	\$ 85,450	6-27-98
Continental Casualty Co.	P.A.M.s, employee dishonesty, theft, disappearance & destruction	\$20,000 - 25,000	5-31-98
Marine Office of America Corporation	Computer hardware and software	\$ 151,245	5-31-98
Marine Office of America Corporation	Contractor's equipment	\$ 50,000	5-31-98

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS,
RESTRICTED ACCOUNTS REQUIRED BY REVENUE BOND ORDINANCES**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 1997

	Total	Revenue Bond Sinking Fund	Bond Revenue Fund	Depreciation And Contingencies Fund	Construction Fund
Cash, cash equivalents, and investments July 1, 1996	\$ 5,897,862	\$ 638,170	\$ 1,712,808	\$ 722,342	\$ 2,834,742
Receipts:					
Transfers from the District	2,173,728	1,686,144		489,584	-
Reimbursement from other entities	163,722	-	-	-	163,722
Interest earned	159,250	-	-	-	159,250
Total receipts	2,496,700	1,686,144		489,584	312,976
Total assets available for debt service	8,394,562	2,324,314	1,712,808	1,211,926	3,104,731
Disbursements:					
Redemption of matured bonds	715,000	715,000		-	-
Payment of matured interest coupons	933,003	933,003		-	-
Capital improvements	954,982	-	-	86,671	868,311
Total disbursements	2,602,985	1,648,003		86,671	867,311
Cash, cash equivalents, and investments June 30, 1997	\$ 5,791,577	\$ 686,311	\$ 1,712,808	\$ 1,125,255	\$ 2,238,848

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

Consolidated Waterworks District No. 1 of the Parish of Terrebonne
State of Louisiana

June 30, 1997

	Annual Depreciation Rate	Balance July 1, 1996	Address	Transfer	Retirements	Balance June 30, 1997	Accumulated Depreciation June 30, 1997	Net Book Value
Land	-	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ -	\$ 100,211
Water plant	2% - 10%	18,541,088	-	361,130	-	18,902,218	6,648,403	12,253,815
Distribution system	2% - 10%	51,281,826	503,826	1,779,865	-	52,564,787	18,173,844	34,390,943
Administrative building	5%	993,283	-	-	-	993,283	438,232	555,051
Pump equipment	10%	244,893	24,765	-	-	269,658	158,553	111,105
Pipelines and equipment	10% - 20%	456,250	27,940	-	34,215	490,985	204,085	286,900
Automobiles and trucks	20% - 30%	685,128	81,832	-	44,851	722,109	448,287	273,822
Construction in progress	-	1,784,844	1,784,844	12,084,139	-	3,568,983	-	2,081,190
Totals		\$ 78,651,238	\$ 2,058,605	\$ -	\$ 3,75,116	\$ 79,510,468	\$ 22,288,928	\$ 57,221,540

SCHEDULE OF NON-OPERATING REVENUES (EXPENSES)

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 1997

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Investment income	\$ 421,000	\$ 559,914	\$ 138,914
Service agreements:			
Gas Distribution System	43,000	41,553	(1,447)
Sewerage Districts	54,000	54,338	338
Garbage Collections	24,000	24,649	649
Other non-operating revenues:			
Miscellaneous	14,000	20,874	6,874
Unclaimed meter deposit refunds	2,000	3,406	1,406
Loss on disposal of assets	-	(2,851)	(2,851)
Bond interest	(947,899)	(947,899)	-
Amortization of bond discount and insurance cost	(52,670)	(52,670)	-
Amortization of cost of consolidation	(8,518)	(8,518)	-
 Total non-operating revenues (expenses)	 <u>\$ (450,997)</u>	 <u>\$ (307,114)</u>	 <u>\$ 143,883</u>

	Budget	Actual	Favorable (Unfavorable) Variance
WATER PLANT (Continued)			
Supplies and materials (continued):			
Raw water	105,000	102,818	2,182
Small tools	2,000	1,294	706
Warehouse supplies	7,000	5,383	1,617
Total supplies and materials	114,000	109,505	4,495
Other services and charges:			
Freight	1,800	870	930
Insurance and bonds	130,800	120,188	9,612
Sanitation services	5,800	4,870	930
Lab analysis	4,000	5,540	(640)
Radio communications	300	31	269
Repairs and maintenance:			
Plant maintenance	140,000	134,733	5,267
Tractor repairs	2,000	1,263	737
Truck and auto repairs	8,000	7,611	389
Seminars and schools	10,000	8,843	1,157
Telephone	8,000	7,299	701
Uniforms	1,000	1,068	(68)
Utilities	480,000	483,678	(3,678)
Total other services and charges	791,100	773,866	17,234
Total water plant	2,254,900	2,222,519	32,381
Total	\$3,415,400	\$3,308,249	\$107,151
OPERATING EXPENSES			
Personal services	\$2,345,600	\$2,328,599	\$17,001
Supplies and materials	899,700	868,753	27,435
Other services and charges	2,172,100	2,109,895	62,205
Total	\$5,417,400	\$5,307,249	\$110,151

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance
MAINTENANCE AND FIELD CREWS (Continued)			
Supplies and materials:			
Chemicals	2,000	1,350	650
Gasoline and oil	14,000	12,814	1,186
Office supplies and expenses	500	434	66
Small tools	13,500	13,040	460
Total supplies and materials	<u>30,000</u>	<u>27,638</u>	<u>2,362</u>
Other services and charges:			
Freight	500	285	215
Insurance and bonds	70,000	64,135	5,865
Mobile phones	1,000	829	171
Radio communications	1,000	484	516
Repairs and maintenance:			
Equipment repairs - field	20,000	25,139	5,139
Trucks and auto repairs	13,000	14,680	(1,680)
Waterline maintenance	455,000	463,200	(8,200)
Severins and cutwoks	3,000	2,327	673
Uniforms	3,000	2,980	20
Total other services and charges	<u>572,500</u>	<u>571,158</u>	<u>1,342</u>
Total maintenance and field crews	<u>1,168,000</u>	<u>1,153,397</u>	<u>14,603</u>
WATER PLANT			
Personal services:			
Salaries	520,000	512,328	7,672
Employee group insurance	112,000	126,580	(14,580)
Payroll taxes	53,500	53,473	27
Retirement fund	9,000	8,843	157
Total personal services	<u>694,500</u>	<u>701,224</u>	<u>(6,724)</u>
Supplies and materials:			
Chemicals	630,000	614,505	15,495
Computer supplies	500	112	388
Fuel for generator	1,000	-	1,000
Gasoline and oil	8,000	7,363	637
Lab equipment	10,000	8,800	1,200
Office supplies and expense	3,200	3,577	(377)

4) SIGNIFICANT AUDIT ADJUSTMENTS

We initiated significant audit adjustments during our recent audit. Copies have been furnished to management.

This information is intended solely for the use of the Board of Commissioners, management of the Consolidated Waterworks District No. 1 and should not be used for any other purpose.

Bougie Bennett, LLC.

Certified Public Accountants.

Henrieville, La.,
August 15, 1997.

	Budget	Actual	Favorable (Unfavorable) Variance
ENGINEERING			
Personal services:			
Salaries	242,000	225,811	16,189
Employee group insurance	43,000	39,225	3,775
Payroll taxes	24,000	23,558	442
Retirement fund	4,100	3,927	173
Total personal services	313,100	292,521	20,579
Supplies and materials:			
Computer supplies	5,000	4,166	834
Gasoline and oil	7,000	7,219	(219)
Office supplies and expenses	1,000	1,500	(500)
Total supplies and materials	13,000	14,885	(1,885)
Other services and charges:			
Freight	-	20	(20)
Insurance and bonds	23,000	16,244	6,756
Mobile phones	1,500	1,311	189
Radio communications	100	343	(243)
Repairs and maintenance:			
Truck and auto repairs	6,000	3,712	2,288
Seminars and schools	9,000	6,927	2,073
Total other services and charges	39,600	32,524	7,076
Total engineering	367,700	338,045	29,655
OPERATIONS			
Other services and charges:			
Utilities	125,000	121,128	3,872
MAINTENANCE AND FIELD CREWS			
Personal services:			
Salaries	430,500	437,247	(6,747)
Employee group insurance	75,000	63,049	11,951
Payroll taxes	44,500	45,846	(1,346)
Retirement fund	7,500	7,734	(234)
Total personal services	557,500	554,376	3,124

	Budget	Actual	Favorable (Unfavorable) Variance
METER READING (Continued)			
Other services and charges:			
Insurance and bonds	39,000	28,273	5,727
Meter reading contract services	120,000	127,242	(7,242)
Radio communications	1,500	41	1,459
Repairs and maintenance:			
Equipment and building repairs	3,100	3,870	(80)
Motor parts and repair	1,000	970	30
Truck and auto repairs	15,000	16,853	(1,853)
Seminars and schools	300	150	150
Total other services and charges	176,100	176,208	(108)
Total meter reading	579,400	581,627	(2,227)
WAREHOUSE AND METER SHOP			
Personal services:			
Salaries	65,800	64,579	1,221
Employee group insurance	13,800	11,171	2,629
Federal taxes	6,700	6,641	59
Retirement fund	1,200	1,136	64
Total personal services	87,500	83,527	3,973
Supplies and materials:			
Gasoline and oil	500	310	190
Meter repair parts	3,000	2,480	520
Office supplies and expenses	1,800	1,785	15
Small tools	1,000	86	914
Warehouse supplies	21,000	79,584	1,416
Total supplies and materials	27,300	24,285	3,015
Other services and charges:			
Freight	2,000	1,880	111
Insurance and bonds	7,500	7,067	433
Repairs and maintenance:			
Equipment and building repairs	3,100	2,678	422
Total other services and charges	12,600	10,834	1,766
Total warehouse and meter shop	126,000	118,560	7,440

	Budget	Actual	Variance (Unfavorable)
BILLING AND COLLECTIONS			
Personal services:			
Salaries	125,000	124,501	(499)
Employee group insurance	30,000	34,980	4,980
Payroll taxes	12,700	12,718	18
Retirement fund	2,100	2,156	556
Total personal services	173,800	174,355	555
Supplies and materials:			
Gasoline and oil	1,500	1,280	(220)
Office supplies and expense	15,500	17,028	1,528
Total supplies and materials	17,000	18,308	1,308
Other services and charges:			
Data processing	40,000	35,354	(4,646)
Insurance and bonds	17,000	16,074	(926)
Postage	70,000	80,882	10,882
Repairs and maintenance:			
Truck and auto repairs	1,000	165	(835)
Telephones	7,000	6,026	(974)
Total other services and charges	144,000	138,511	(5,489)
Total billing and collections	324,800	322,164	(2,636)
METER READING			
Personal services:			
Salaries	245,000	247,583	2,583
Employee group insurance	70,000	71,085	1,085
Payroll taxes	25,500	25,714	214
Retirement fund	4,500	4,323	(177)
Total personal services	345,000	348,695	3,695
Supplies and materials:			
Gasoline and oil	14,000	12,799	(1,201)
Office supplies and expense	500	500	000
Small tools	3,000	3,811	811
Total supplies and materials	17,500	15,786	(1,714)

SCHEDULE OF DEPARTMENTAL EXPENSES

Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana

For the year ended June 30, 1997

	Budget	Actual	Favorable (Unfavorable) Variance
ADMINISTRATIVE			
Personal services:			
Salaries	\$ 129,000	\$ 129,405	\$ (405)
Employee group insurance	18,000	16,149	2,851
Payroll taxes	14,500	14,375	125
Retirement fund	2,500	2,432	68
Total personal services	173,000	172,359	2,641
Supplies and materials:			
Gasoline and oil	1,500	1,280	800
Office supplies and expense	20,700	20,963	(263)
Total supplies and materials	22,200	22,183	17
Other services and charges:			
Accounting	38,000	33,416	4,584
Attorney	115,000	132,067	(2,067)
Board meetings	15,000	15,347	(347)
Board agent fees	5,000	3,361	1,639
Consulting engineer	15,000	13,646	1,354
Insurance and bonds	18,000	15,893	2,107
Judicial services	18,000	18,450	(450)
Public proceedings	6,000	5,251	749
Radio communications	10,000	9,511	489
Repairs and maintenance:			
Equipment and building repairs	20,000	20,100	(100)
Traffic and auto repairs	1,000	149	851
Seminars and schools	10,000	4,520	5,480
Utilities - office	10,000	8,617	1,383
Total other services and charges	281,000	256,397	26,603
Total administrative	478,200	448,859	29,341

SCHEDULE OF OPERATING REVENUES

Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana

For the year ended June 30, 1997

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Revenue from water sales and service charges:			
Customers (net of bad debts - \$16,034)	\$8,450,000	\$8,565,646	\$ 115,646
Parish of Lafourche	35,000	37,354	2,354
Service connection fees	165,000	178,500	13,500
Meter installation fees	28,000	28,045	2,045
Penalties - reconnections	18,000	18,726	726
 Total operating revenues	 <u>\$8,696,000</u>	 <u>\$8,838,271</u>	 <u>\$ 142,271</u>

OTHER SUPPLEMENTARY INFORMATION SECTION

Note 11 - RISK MANAGEMENT (Continued)

Coverage for claims in excess of the above stated limits are to be funded first by assets of the Parish's risk management internal service fund, \$2,481,697 at December 31, 1996, then secondly by the District and other participating funds and agencies. At June 30, 1997, the District had no claims in excess of the above coverage limits.

Note 12 - CONTRACT COMMITMENTS

On June 30, 1997, the District had \$1,896,753 in public works contracts of which \$577,247 was uncompleted.

Note 13 - COMPENSATION OF BOARD OF COMMISSIONERS

Board Members	Number of Meetings Attended	Payments for		Total Amount Received
		Meetings Attended	Mileage	
Chester P. Veinix	23	\$ 690	\$ 293	\$ 983
Russell Robinson	21	630	6	636
Arden J. Guidry	18	540	23	563
Willie Bonvillian, Jr.	20	600	145	745
John Laffont	19	570	176	746
Amos Urie, Jr.	17	510	69	579
Bob J. Bonchoux	19	570	11	581
Walt Hodges	23	690	7	697
Calvin Authement	23	690	200	890
Emmet Veinix, Jr.	23	690	213	903
Melvin Benoit	19	570	242	812
Conrad M. Laffont	23	690	251	941
Charles Guidry	22	660	319	979
Tracy Rhodes	21	630	61	691
Robert J. Vice	22	660	181	841
Totals		\$2,199	\$2,152	\$4,351

Note 11 - RISK MANAGEMENT

The District is exposed to risk of loss related to group health benefits. The District established a limited risk management program during fiscal year 1992.

Liabilities are reported when it is probable that a loss has occurred and the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claims liabilities are the estimated unpaid ultimate costs of settling claims.

For the year ending June 30, 1997, the District was self-insured for the first \$25,000 of each claim. The District is covered under an insurance contract for the excess liability up to \$1,000,000. Any claims in excess of \$1,000,000 is not covered by insurance.

At June 30, 1997, the amount of liability was \$24,926. This liability is the District's best estimate based on available information. Changes in the reported liabilities during the past two years are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Net Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1996	\$9,496	\$187,385	\$150,987	\$46,894
1997	\$46,894	\$164,055	\$175,133	\$24,926

The District also participates in the Parish's risk management internal service fund for general liability, workers compensation and auto liability. The District pays monthly premiums to the Parish for workers' compensation based on a fixed percentage of payroll. The District's premiums for general liability are based on various factors such as operations and maintenance budget, exposure and claims experience. The premiums for auto liability are based on claims experience, vehicle type and mileage. The Parish handles all claims filed against the District. The District could have additional exposure for claims in excess of the Parish's insurance contracts as described below:

<u>Policy</u>	<u>Coverage Limits</u>
General Liability	\$6,500,000
Workers' Compensation	Statutory
Auto Liability	\$6,250,000

Note 6 - DEFEASANCE OF DEBT (Continued)

At June 30, 1997, the following outstanding bonds are considered defeased:

Waterworks District No. 2 General Obligation Bonds, Series 1989	<u>\$55,000</u>
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Note 7 - CONTRIBUTED CAPITAL

In connection with the consolidation, described in Note 1a, the consolidating entities transferred \$9,798,282 of cash and investments and \$34,267,340 of other net assets to the Consolidated Waterworks District No. 1 on July 1, 1994. These transfers are recorded as contributed capital which is comprised of the following:

Waterworks District No. 1	\$26,679,274
Waterworks District No. 2	3,803,500
Waterworks District No. 3	7,416,617
City of Houston Water System	_6,285,821
Total	<u>\$44,185,622</u>

Note 8 - DEFINED BENEFIT PENSION PLAN

Plan Description - The District contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (the System), a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 205 of the 1952 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1901 through 11:2815, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70899-4619.

Funding Policy - Plan members are required to contribute 2.88% of their annual covered salary less \$700 per month and the District is required to contribute at an actuarially determined rate. The District's contribution rate was 1.90% from July 1, 1996, through December 31, 1996, and 2.58% from January 1, 1997, through June 30, 1997. In addition, the System also receives a percentage of tax revenues from various taxing bodies. The

Note 5 - LONG-TERM DEBT (Continued)

Water Revenue Bonds:

Under the terms of various bond indentures for outstanding Water Revenue Bonds, the principal and interest is secured and payable solely from a pledge of the income and revenues to be derived from the operation of the District. All revenues must be deposited in the District and required transfers made to the following Funds on a monthly basis after the payment of operating expenses:

a) Revenue Bond Sinking Fund

Monthly transfers are required to this Fund in an amount necessary to make the principal and interest payments as they become due. The Fund is restricted for this purpose.

b) Bond Reserve Fund

Monies in the amount of \$1,712,808 have been deposited into this fund. This amount is equal to the highest amount of principal and interest due in future years on the District's outstanding water revenue bonds. The Fund is restricted to the payment of principal and interest in case of default.

c) Depreciation and Contingencies Fund

Monthly transfers of 5% of gross revenues of the District for the preceding month is required. The Fund is restricted to payments for extensions, additions, improvements, renewals and replacements necessary to properly operate the District. It will also be used to pay principal and interest if there are not sufficient funds in the Revenue Bond Sinking Fund and Bond Reserve Fund.

d) Bond Requirements

The accounting requirements of the bond resolution for Water Revenue Bonds, as stated in a) through c) above, have been complied with for the year ended June 30, 1997.

Note 6 - DEFICANCY OF DEBT

Certain proceeds of the Consolidated Waterworks District No. 1 revenue bonds, were transferred to an escrow agent in an irrevocable trust to provide for the future payments on the old bonds of the three formerly separate water districts. Accordingly, the trust account assets and liability for the defensed bonds are not included in the District's general purpose financial statements.

Note 5 - LONG-TERM DEBT (Continued)

The following is a summary of bond transactions of the District for the year ended June 30, 1997:

	Water Revenue Bonds
Bonds payable at July 1, 1996	\$17,880,000
Bonds retired	(715,000)
Bonds payable at June 30, 1997	17,165,000
Less unamortized bond discount	(288,617)
Net bonds payable at June 30, 1997	<u>\$16,876,383</u>
Long term	\$16,157,640
Current	(281,257)
Total	<u>\$16,876,383</u>

The annual requirements to amortize all debt outstanding as of June 30, 1997, including interest payments of \$8,596,381, are as follows:

Year Ending <u>June 30,</u>	Principal	Interest	Total
1998	\$ 750,000	\$ 919,883	\$ 1,669,883
1999	785,000	883,411	1,668,411
2000	825,000	844,269	1,669,269
2001	865,000	802,954	1,667,954
2002	910,000	758,268	1,668,268
2003 - 2007	5,540,000	3,002,893	8,542,893
2008 - 2012	6,185,000	1,292,833	7,477,833
2013 - 2014	<u>1,505,000</u>	<u>51,468</u>	<u>1,556,468</u>
Totals	<u>\$17,165,000</u>	<u>\$8,596,381</u>	<u>\$25,761,381</u>

Note 3 - BUDGET

The Board is required by revenue bond resolution to adopt a line item budget for the District within thirty days of the end of its fiscal year for the following year. The Board adopted a line item budget for the year ended June 30, 1997. All revisions to the budget must be approved by the Board. The budget lapses at year-end.

Note 4 - PROPERTY, PLANT, AND EQUIPMENT

A summary of property plant and equipment at June 30, 1997 follows:

	Annual Straight-Line Depreciation Rate	Amount
Land		\$ 388,713
Water plant	2% - 20%	18,846,139
Distribution system	2% - 20%	55,673,518
Administrative building	5%	992,285
Plant equipment	10%	287,592
Furniture and equipment	10 - 20%	458,965
Automobiles and trucks	20 - 33%	649,899
Construction in progress		<u>2,065,890</u>
Total		79,333,299
Less accumulated depreciation		<u>(27,205,838)</u>
Net property, plant and equipment		<u>\$ 52,127,461</u>

Note 5 - LONG-TERM DEBT

As part of the consolidation, (see note 1a), the three formerly separate water districts refunded all their bonds outstanding by the issuance of Consolidated Waterworks District No. 1 revenue bonds on June 30, 1994 in the amount of \$16,298,349 and additional bonds for construction in the amount of \$2,411,460 for a total of \$18,710,000. The bonds were sold at a discount of \$391,384 and issuance costs of \$234,612. The bonds have an interest rate ranging from 3.4% to 6.0% and are scheduled to mature November 1, 2013.

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

At year end the carrying amount and the bank balances of deposits are as follows:

	Bank Balances			Book Balance
	Category			
	1	2	3	
Cash	\$229,973	\$-	\$ 1,673,057	\$ 1,512,991
Certificates of deposits	<u>500,000</u>	<u>-</u>	<u>20,548,010</u>	<u>11,840,999</u>
Totals	\$729,973	\$-	\$12,631,097	\$12,953,991

At June 30, 1997, cash and certificates of deposit in excess of the FDIC insurance were collateralized by securities held by affiliated banks for the account of the deposits. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 18:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

A reconciliation of deposits and investments as shown on the Balance Sheet is as follows:

Cash on hand	\$ 190
Carrying amount of deposits	<u>12,953,811</u>
Total	\$12,953,811
Cash and cash equivalents	\$ 5,807,808
Cash and cash equivalents-restricted	<u>5,372,773</u>
Total cash and cash equivalents	11,240,581
Investments-restricted	<u>1,712,800</u>
Total	\$12,953,381

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) GASB Pronouncements: (Continued)

(FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure. The District has elected to apply only FASB, APB and ARB materials issued on or before November 30, 1989.

Note 2 - DEPOSITS AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

Bank Deposits:

State Law requires deposits (cash and certificates of deposits) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligation furnished as security must be held by the political subdivision, or with an unaffiliated bank, or with a trust company for the account of the political subdivision. In accordance with state law all cash and deposits were collateralized.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent, in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent, but not in the District's name, and deposits which are uninsured or uncollateralized.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Accumulated Unpaid Vacation and Sick Leave (Continued)

First year	Five days (40 hours)
Second year through fourteenth year	Ten days (80 hours)
Fifteen years or more	Fifteen days (120 hours)

Employees may not accumulate and carry forward vacation time beyond the year earned. Accumulated vacation leave is due to the employee at the time of termination of employment. Although sick leave accumulates and is available for employees when needed, it does not vest nor is it payable at termination of employment.

k) Bond Discount and Issuance Costs

Bond discount and issuance costs are being amortized by the interest method.

l) Deferred Charges - Cost of Consolidation

These charges represent cost incurred by the Terrebonne Parish Consolidated Government Water Revenue Fund, Waterworks District Nos. 1, 2, and 3 for their efforts towards the creation of the Consolidated Waterworks District No. 1, Terrebonne Parish. These costs are amortized over a period of ten years using the straight line method.

m) Contracts Payable

Liability for work performed on contracts is entered as billings are received.

n) Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Contributed capital is funds that have been received from capital grants or contributions from developers, customers, or other funds.

o) GASB Pronouncements:

Government Accounting Standards Board (GASB) Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements; Statements and Interpretations of the Financial Accounting Standard Board.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Inventory of Material and Supplies

Inventory of material and supplies is valued at average cost.

g) Restricted Assets and Reserves

Specific assets are required to be segregated as to use and are therefore identified as restricted assets. Certain assets are restricted pursuant to restrictions arising from various bond indenture agreements. (See note 5)

h) Fixed Assets

The Enterprise Fund is accounted for on a cost of services or "capital maintenance" measurement basis. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on its balance sheet. Its reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Enterprise Fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

Fixed assets are valued at historical costs. Donated assets are valued at their estimated fair value on the date donated. Interest on bond proceeds used for construction are capitalized.

Depreciation of all depreciable fixed assets of the Enterprise Fund is charged against its operations. Accumulated depreciation is reported on its balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method.

i) Prepaid Maintenance

Prepaid maintenance consists of the cost of painting water tanks which is amortized over a period of five years and filter media for the plant which is amortized over a period of three years.

j) Accumulated Unpaid Vacation and Sick Leave

The District accrues benefits in the period they were earned. Full-time employees of the District shall be entitled to vacation with pay and shall accrue vacation time in the following manner:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Fund Structure

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following is the District's Fund.

PROPRIETARY FUND

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's Waterworks System is an Enterprise Fund.

c) Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Enterprise Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

d) Cash Flows

Cash and cash equivalents include amounts in regular checking accounts and investments in certificates of deposits with maturities of three months or less.

e) Accounts Receivable

The general purpose financial statements contain no allowance for uncollectible accounts receivable. It is the opinion of management that receivables at June 30, 1997 are collectible and possible bad debt losses are immaterial.

NOTES TO FINANCIAL STATEMENTS**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

June 30, 1997

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board. The more significant of the District's accounting policies are described below:

a) Reporting Entity

Business interests and the people of Terrebonne Parish expressed strong sentiment for the consolidation of governmental services. Legislation was introduced and passed in the 1992 session of the Louisiana Legislature that allowed for the consolidation of the City of Houma water system, with that of Waterworks District Nos. 1, 2 and 3 of Terrebonne Parish, into a Board of Commissioners that would vary in size from 12 to 18 members. The Act provided that the Parish would create the Consolidated District upon request from the individual water districts. Waterworks District No. 1, by resolutions dated February 7, 1994 and Waterworks District Nos. 2 and 3 by resolutions dated January 19, 1994, requested the Terrebonne Parish Consolidated Government (the Parish) to form the Consolidated District. By an ordinance adopted by Terrebonne Parish Consolidated Government on March 25, 1994, the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, Louisiana (the District) was created on July 1, 1994.

In accordance with the implementation of GASB 14, "The Financial Reporting Entity", Consolidated Waterworks District No. 1's financial statements include the accounts of all the District's functions and activities. The criteria used to determine whether component units (separate governmental units, agencies, or nonprofit corporations associated with the District) include appointment of a voting majority, imposition of will, imposition of financial benefit to or burden on the District, and fiscal dependency. The District has determined that no other outside entity meets the above criteria and should be included in its financial statements. It has been determined however based upon the above criteria that the District is a component unit of the Terrebonne Parish Consolidated Government and will be included in its comprehensive financial report for the year ending December 31, 1997.

STATEMENT OF CASH FLOWS

Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana

For the year ended June 30, 1987

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	\$ 1,805,787
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,548,165
Amortization - prepaid maintenance	206,050
Intergovernmental service revenue	120,540
Miscellaneous income	23,480
(Decrease) increase in assets:	
Accounts receivable	(25,752)
Due from State of Louisiana	(246,282)
Due from Terrebonne Parish Consolidated Government	646,588
Inventory of material and supplies	(21,264)
Prepaid expenses	(2,864)
Reimbursement due from insurance company	(6,854)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	66,994
Meter deposits	121,718
Total adjustments	2,066,771
Net cash provided by operating activities	3,622,558
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,540,208)
Principal paid on outstanding debt	(715,004)
Interest paid on outstanding debt	(693,854)
Net cash used for capital and related financing activities	(4,208,251)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(1,712,800)
Maturities of investments	1,712,800
Investment income	507,780
Net cash provided by investing activities	507,780
Net decrease in cash and cash equivalents	(18,005)
CASH AND CASH EQUIVALENTS	
Beginning of year	11,288,074
End of year	\$ 11,240,069
NONCASH OPERATING, CAPITAL AND RELATED FINANCING ACTIVITIES AND INVESTING	
Amortization of bond insurance cost, bond discount and cost of consolidation was \$51,188.	

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS (BUDGET AND ACTUAL)**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 1997

	Budget	Actual	Favorable/ (Unfavorable) Variance
OPERATING REVENUES			
Revenues from water sales and service charges	<u>\$8,694,000</u>	<u>\$8,808,221</u>	<u>\$ 114,221</u>
OPERATING EXPENSES			
Personnel services	2,345,800	2,328,399	17,401
Supplies and materials	897,700	869,755	27,945
Other services and charges	2,172,100	2,109,866	62,234
Depreciation and amortization	<u>1,594,284</u>	<u>1,914,215</u>	<u>(319,931)</u>
Total operating expenses	<u>7,010,884</u>	<u>7,222,465</u>	<u>(211,581)</u>
Operating income	<u>1,683,116</u>	<u>1,685,757</u>	<u>266,641</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	421,000	588,594	167,594
Service agreements	121,000	125,540	44,540
Other non-operating revenues	16,000	23,480	7,480
Loss on disposal of assets	-	(2,051)	(2,051)
Bond interest	(947,809)	(947,809)	-
Amortization of bond discount and insurance cost	(52,670)	(52,670)	-
Amortization of cost of consolidation	(8,518)	(8,518)	-
Total non-operating revenues (expenses)	<u>(450,997)</u>	<u>(307,114)</u>	<u>143,883</u>
NET INCOME	<u>\$ 1,232,119</u>	<u>1,378,643</u>	<u>\$ 146,524</u>
RETAINED EARNINGS			
Beginning of year		<u>3,045,275</u>	
End of year		<u>\$4,243,948</u>	

See notes to financial statements.

LIABILITIES**Current**

Payable from current assets:	
Accounts payable and accrued expenses	\$ 170,498
Contracts payable	318,432
Total current liabilities payable from current assets	488,930

Payable from restricted assets:

Accounts payable and accrued expenses:	
Group Insurance Fund	34,926
Contracts payable:	
Construction Fund	380,914
Accrued interest on bonds	156,238
Bonds payable within one year (net of \$11,257 unamortized bond discount)	718,743
Meter deposits	3,046,838
Total current liabilities payable from restricted assets	3,857,641

Total current liabilities	2,846,571
----------------------------------	------------------

Long-term

Bonded debt (net of \$257,360 unamortized bond discount)	18,157,648
Total liabilities	19,004,211

FUND EQUITY

Contributed Capital	44,865,622
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Retained Earnings

Reserved for:	
Reversion bond debt service	980,000
Renewal and replacement	1,025,298
Group insurance	189,753
Total reserves	3,815,015

Unreserved	2,428,933
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Total retained earnings	4,243,948
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Total fund equity	48,309,570
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Total liabilities and fund equity	\$ 67,313,781
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BALANCE SHEET**Consolidated Waterworks District No. 1 of the Parish of Terrebonne
State of Louisiana**

June 30, 1997

ASSETS**Current**

Cash and cash equivalents	\$ 3,827,608
Accounts receivable:	
Customers	486,935
Unbilled water sales	582,564
Other	8,200
Interest receivable	8,511
Due from State of Louisiana	294,923
Inventory of materials and supplies	282,846
Prepaid insurance	87,674
Prepaid maintenance	208,277
Deferred charge - bond insurance cost	19,558
Deferred charge - cost of consolidation	8,518
Total current assets	5,675,965

Restricted

Money Deposit Fund:	
Cash and cash equivalents	1,148,898
Revenue Bond Sinking Fund:	
Cash and cash equivalents	656,221
Bond Reserve Fund:	
Cash and cash equivalents	\$
Investments	1,712,860
Depreciation and Contingency Fund:	
Cash and cash equivalents	1,325,258
Construction Fund:	
Cash and cash equivalents	2,296,848
Interest receivable	2,047
Group Insurance Fund:	
Cash and cash equivalents	387,608
Reimbursement due from insurance company	17,075
Total restricted assets	7,184,695

Noncurrent

Prepaid maintenance	153,857
Deferred charge - bond insurance cost	169,868
Deferred charge - cost of consolidation	31,105
Total noncurrent assets	354,830
Property, Plant and Equipment - Net	52,127,431
Total assets	\$67,311,781

See notes to financial statements.

Our audit was prepared for the purpose of forming an opinion on the general purpose financial statements of Consolidated Waterworks District No. 1 taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Bougie & Bennett, LLC

Certified Public Accountants

Bloom, La.,
August 15, 1997.



Georgian Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Consolidated Waterworks District No. 1 of the
Parish of Terrebonne, State of Louisiana,
Houma, Louisiana.

We have audited the accompanying general purpose financial statements of Consolidated Waterworks District No. 1 (the District), a component unit of the Parish of Terrebonne, State of Louisiana as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Waterworks District No. 1 as of June 30, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 1997 on our consideration of Consolidated Waterworks District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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June 30, 1997

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Financial Report
Consolidated Waterworks District No. 1
of the Parish of Terrebonne,
State of Louisiana
June 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the public, or reviewed, orally and after appropriate public officials. The report is available for public inspection at the Station House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Released Date APR 29 1997

APR 29 1997